

2.13 SETTING THE GENERAL OBLIGATION BOND 2004/05 TAX RATE

Annual Tax Rate for Voter-Approved General Obligation Bond Debt Service for Fiscal Year 2004/05

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Executive Summary: On July 17, 2003, the City issued \$10,000,000 General Obligation Bonds, Election 2002, Series A. The City is obligated to annually levy an ad valorem tax upon all taxable properties within the City, for the payment of the bond principal and interest. The purpose of this report is to ask the City Council to establish the fiscal year 2004/05 tax rate of \$0.225 per \$100 of assessed valuation (0.00225%). The related resolution requests and authorizes the County of Alameda to levy the tax at this rate on all taxable properties within the City of Fremont.

BACKGROUND: The City needs \$1,040,310 to cover debt service payments for fiscal year 2004/05. By adopting the proposed resolution, the City authorizes the County of Alameda to levy the tax rate of \$0.225 per \$100 of assessed valuation (0.00225%) on property tax bills issued for 2004/05. This is a decrease from the levy rate for 2003/04 of \$0.292 per \$100 of assessed valuation (0.00292%). The tax rate is calculated by taking a year and a half of required debt service payments minus (a) cash on hand, if any, at June 30, 2004, and (b) the tax levy on unsecured property, and then dividing the result by the gross amount of assessed value adjusted by a delinquency factor. Because this is the second year of debt service on these bonds, and because of the difference in levy dates between secured and unsecured property, the 2004/05 levy will be on both secured and unsecured properties. California Revenue and Taxation Code Section 2905 allows local agencies to use the prior year's secured tax rate to levy the tax on unsecured properties because of the difference in levy dates between secured and unsecured property.

The total taxes received and debt service payments for fiscal year 2003/04 are as follows:

Collections through June 30, 2004	\$ 666,387
Debt service payments (including the August 1, 2004 debt service payment)	(<u>658,352</u>)
Excess collections	8,035
August 1, 2004 debt service payment	<u>406,084</u>
Cash on hand at June 30, 2004	<u>\$ 414,119</u>

The calculation of the rate for fiscal year 2004/05 is as follows:

One and one-half years of required debt service payments	\$ 1,040,310
Less: Cash on hand at June 30, 2004	(414,119)

Tax levy on unsecured property, using the prior year's tax rate because of the timing of the levy (\$ 1,812,765,292 x 0.00292%)	(<u>52,933</u>)
Amount to be generated by tax levy	573,258
Divided by gross amount of assessed value (\$26,402,211,926), adjusted by a 3.5% delinquency factor	<u>25,478,134,509</u>
Tax rate for 2004/05	<u>0.00225%</u>

Council action is required to establish the fiscal year 2004/05 tax rate for debt service on the voter-approved general obligation bonds of \$0.225 per \$100 of assessed valuation (0.00225%), and to request and authorize the County of Alameda to levy the tax at this rate on all taxable properties within the City of Fremont.

ENCLOSURE: Resolution.

RECOMMENDATION:

1. Establish the tax rate of \$0.225 per \$100 of assessed valuation (0.00225%) for the fiscal year 2004/05.
2. Adopt a resolution requesting and authorizing the County of Alameda to levy a tax on all taxable properties in the City as a voter approved levy with respect to the fire safety general obligation bond.

